BANK OF CANADA
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Senior Loan Officer Survey

on Business-Lending Practices in Canada

Results of the Fourth-Quarter 2010 Survey

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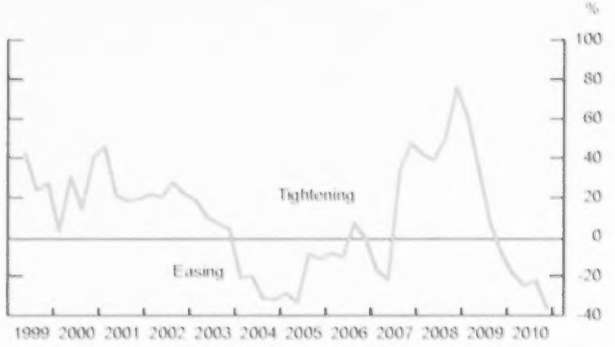
This *Senior Loan Officer Survey* (SLOS) focused on changes to business-lending practices in the fourth quarter of 2010.

- The survey results point to an overall easing in business-lending conditions **(Chart 1)**. Both the price and non-price aspects of business lending eased during the quarter **(Chart 2)**. Note that the balance of opinion indicates only the direction of the change in lending conditions; it does not provide information on the magnitude of the change.
- The improvement in lending conditions continues to spread across borrower categories. Lending conditions for corporate borrowers eased for the sixth consecutive quarter. For commercial borrowers, the survey points to a material net easing in both price and non-price conditions for the second consecutive quarter. For small businesses, overall lending conditions eased during the fourth quarter, after remaining unchanged during the third quarter.
- Respondents continued to view heightened competition among lenders, a more favourable economic outlook and improved industry-specific conditions as the main factors underlying the easing in lending conditions.
- The balance of opinion regarding business demand for credit from financial institutions increased during the fourth quarter. The net increase was largely driven by corporate borrowers and was mainly related to activity in mergers and acquisitions. For small business and commercial borrowers, there was a more modest increase in the balance of opinion.

Chart 1: Lending conditions continued to ease for Canadian non-financial firms . . .

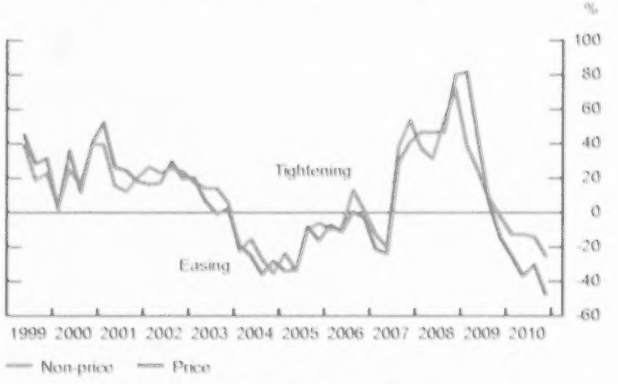
Overall business-lending conditions: Balance of opinion*



* The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions. Thus, a positive balance of opinion implies a net tightening. The chart shows the average of the balances of opinion for the price and non-price dimensions of lending conditions.

Chart 2: . . . in both price and non-price terms

Price and non-price lending conditions: Balance of opinion*



* The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions.

Note: Each series is the simple average of the balances of opinion for the small business, commercial and corporate sectors.

The Senior Loan Officer Survey collects information on the business-lending practices of major Canadian financial institutions. In particular, the survey gathers the perspectives of respondents on price and non-price terms of business lending and on topical issues of interest to the Bank of Canada. The survey is conducted quarterly, near the end of the quarter for which the results are reported. The fourth-quarter survey was conducted between 6 and 10 December 2010. Additional information on the survey is available on the Bank of Canada's website at <http://www.bankofcanada.ca/en/slos/index.html>.

The survey results summarize opinions expressed by the respondents and do not necessarily reflect the views of the Bank of Canada.

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